WEEKLY ECONOMIC REVIEW

January 26, 2007

Canadian all-items Consumer Price Index advanced by 1.6 per cent in December 2006, relative to December 2005. This marks the fourth consecutive increase in the index, which stems from a surge in energy prices and continually rising costs paid by homeowners. Core inflation, used by the Bank of Canada to monitor inflation-control target, rose 2 per cent between December 2005 and December 2006. In 2006, inflation was up by 2 per cent, down from 2.2 per cent in 2005.

Alberta's CPI, while increasing by only 0.4 per cent on a monthly basis, rose 4.7 per cent in December 2006 relative to December 2005. In 2006, Alberta CPI increased by 3.9 per cent and core inflation by 4 per cent. The biggest contributor to the rise in CPI was homeowners' replacement cost index, which increased by 43.1 per cent year-over-year. All-items CPI excluding shelter was up by 1.8 per cent in 2006.

Canadian retail sales recorded a rather weak increase of 0.2 per cent in November, 2006. Excluding autos, retail sales posted only a 0.1 per cent increase.

While Alberta retail sales declined by 0.5 per cent in November 2006, they have posted double digit year-over year increases every month since April 2005. Alberta's year-to-date growth in retail sales was 16.3 per cent, the highest among the provinces.

Cdn Dollar (C¢/US$)		
Jan	26, 2007	84.8¢
Jan	19, 2007	85.3¢
2006-07 YTD		88.4¢
WTI Oil SUS/bbl		
Jan	25, 2007	$54.23
Jan	18, 2007	$50.48
2006-07 YTD		$66.28
Nymex Natural Gas CS/mcf*		
February Contract		
Jan	26, 2007	$8.42
Jan	19, 2007	$7.90

*Estimate based on Nymex Futures Market Price

Consumer spending in Germany will dampen over the coming months due to an increase in Value-Added Tax (equivalent to Canada's GST) from 16 to 19 per cent effective this month. Thus, Germany's economic growth is expected to be lower.

In 2006, growth in China's economy soared to 10.7 per cent, the highest in 11 years. However, China faces strains in 2007 from a soaring trade surplus and excessive investment. China's Central Bank raised interest rates twice in 2006 and increased reserve ratios for the Chinese banks to cool growth in investment.

Oil prices rose back to over US$54 this week, on news that the U.S. will double the size of its Strategic Petroleum Reserve by 2027. Possible output cuts by OPEC members and continued colder weather in Northern Hemisphere also kept prices firm.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[1]
Consumer Price Index (1997=100)	**December**			
Alberta	141.8	0.4%	4.7%	3.9%
Canada	130.2	0.2%	1.6%	2.0%
Retail Trade ($Millions)	**November**			
Alberta	4,781	-0.5%	13.2%	16.3%
Canada	32,676	0.2%	4.7%	6.2%

Source: Statistics Canada

[1] *Year-to-date 2006 compared to the same time period in 2005. For example: January-November 2006 versus January-November 2005*